

Message Text

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PAGE 01 EC BRU 00919 01 OF 02 311355Z
ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02
STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 SS-15 NSC-05 L-03
H-01 PA-01 PRS-01 FEAE-00 INT-05 OES-06 USIA-06
XMB-02 OPIC-03 NEA-10 AF-08 ARA-06 AGRE-00 /142 W
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R 311250Z JAN 77
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 2894
INFO ALL EC CAPITALS 3049
AMEMBASSY BERN
AMEMBASSY OTTAWA
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
USMISSION OECD PARIS
USMISSION GENEVA
USMISSION NATO

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 0919

E.O. 11652: N/A
TAGS: ENRG, EEC
SUBJECT: EC OFFICIAL OUTLINE CIEC PREPARATIONS

REF: (A) LONDON 15621 (NOTAL), (B) EC BRUSSELS 200,
(C) EC BRUSSELS 917 (C) 76 EC BRUSSELS 11065,
(E) EC BRUSSELS 918

1. SUMMARY: THE EC PLANS AN INTENSIVE SERIES OF CIEC
MEETINGS AND CONSULTATIONS WITH G-8 COUNTRIES LEADING UP TO
THE MARCH 25 EUROPEAN COUNCIL. THE EC HAS MADE NO RECENT
PROGRESS ON SUBSTANTIVE ISSUES. IT IS AWAITING MID-FEBRUARY
TALKS WITH US OFFICIALS. THE FIRST SUBSTANTIVE DISCUSSION
OF CIEC ISSUES WILL LIKELY BE AT THE MARCH 8 FOREIGN
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PAGE 02 EC BRU 00919 01 OF 02 311355Z

MINISTERS COUNCIL. COMMISSION OFFICIALS BELIEVE THE EC
WILL FOCUS ON TRANSFER OF RESOURCES - INCREASED AID -,
LDC COMMODITY ASSISTANCE, AND SAFEGUARDS FOR OPEC
INVESTMENTS. COMMISSION OFFICIALS LOOK FORWARD TO
OBTAINING US VIEWS ON ALL OF THESE ISSUES. END SUMMARY.

2. EC COMMISSION AND UK PERMDEL OFFICIALS TELL US THAT

THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER) ON JANUARY 27 AGREED TO A CIEC PREPARATORY SCHEDULE AND TO DATES FOR CONSULTATIONS WITH OTHER G-8 MEMBERS. MEMBER STATES REPRESENTATIVES INDICATED THAT THERE HAD BEEN NO CHANGE IN POSITIONS SINCE THE LAST SUBSTANTIVE DISCUSSION OF POSITIONS IN NOVEMBER. COREPER WILL REVIEW AGAIN ON FEBRUARY 3 EACH MEMBER STATE'S POSITION AND REPORT TO THE FEBRUARY 8 FOREIGN MINISTER COUNCIL. EC OFFICIALS DO NOT EXPECT THE COUNCIL TO AGREE TO ANY NEW PROPOSALS; THE EC DOES NOT PLAN TO GET AHEAD OF OTHER G-8 MEMBERS, ESPECIALLY THE US.

3. COREPER ALSO HEARD A REPORT FROM COMMISSION OFFICIALS WHO PARTICIPATED IN DISCUSSION WITH MEMBERS OF VICE PRESIDENT MONDALE'S PARTY. THERE APPEARED TO BE TENTATIVE AGREEMENT THAT THE CIEC MINISTERIAL MEETING SHOULD TAKE PLACE IN MAY BEFORE THE PROPOSED ECONOMIC SUMMIT. THIS WOULD AVOID HAVING THE G-19 PLACE UNDUE EXPECTATIONS ON THE SUMMIT. US OFFICIALS EXPRESSED NO DEFINITIVE POSITIONS ON CIEC ISSUES, BUT COMMISSION OFFICIALS HAD THE IMPRESSION THAT US OFFICIALS INDICATED INCREASED FLEXIBILITY ON COMMODITY ISSUES.

4. UK PERMDEL OFFICIALS REPORT THAT AFTER THE FEB. 8 COUNCIL THEY ARE PLANNING ON THE FOLLOWING SCHEDULE OF CIEC PREPARATORY MEETINGS: (1) UK AND COMMISSION OFFICIALS WILL CONSULT WITH AMBASSADOR YOSHINO OF THE JAPANESE FOREIGN MINISTRY ON FEBRUARY 11
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PAGE 03 EC BRU 00919 01 OF 02 311355Z

IN LONDON; (2) THE FOUR COUNCIL WORKING GROUPS, WHICH PREPARE POSITIONS FOR EACH OF THE CIEC COMMISSIONS, WILL LIKELY MEET BEFORE FEBRUARY 16; THESE MEETINGS WILL REVIEW THE DRAFT FINAL STATEMENTS OF EACH COMMISSION; (3) UK AND COMMISSION OFFICIALS WILL HAVE AN EXCHANGE OF VIEWS WITH US OFFICIALS IN WASHINGTON, TENTATIVELY ON FEBRUARY 16 (SEE REF. A); THE UK DELEGATION WILL LIKELY BE COMPOSED OF DEPUTY UNDER SECRETARY BUTLER AND MAUD, CHIEF OF THE FINANCIAL RELATIONS DEPT., BOTH OF THE FOREIGN MINISTRY; DEPUTY DIRECTOR GENERAL FOR EXTERNAL RELATIONS CASPARI AND PROBABLY ONE OTHER UNSPECIFIED COMMISSION OFFICIAL WILL ATTEND; (CASPARI PLANS TO FLY DIRECTLY FROM TEHRAN, SEE REF. C); EC OFFICIALS REALIZE THAT THE US WILL PROBABLY NOT HAVE A DEFINITIVE POSITION ON MOST CIEC ISSUES UNTIL EARLY MARCH; (4) THE EC DELEGATION WILL THEN GO TO OTTAWA FOR CONSULTATIONS ON FEB. 17; (5) THE CIEC HIGH LEVEL GROUP - "BRAIN-STORMING" SESSIONS - WILL MEET ON FEB. 22 TO REVIEW RESULTS OF

THESE CONSULTATIONS AND PREPARE EC POSITIONS; (6) THE MARCH 8 FOREIGN MINISTERS COUNCIL WILL UNDERTAKE SUBSTANTIVE DISCUSSION OF ALL MAJOR CIEC ISSUES; AND (7) THE MAJOR OUTSTANDING ISSUES WILL BE TAKEN UP BY THE MARCH 25 EUROPEAN COUNCIL - HEADS OF GOVERNMENTS MEETING - IN ROME.

5. CASPARI BELIEVES THE EC PREPARATIONS WILL FOCUS ON TWO MAJOR CIEC ISSUES: (1) TRANSFER OF RESOURCES; AND (2) COMMODITY ISSUES. CASPARI NOTES THAT THE CURRENT US PROPOSED FY 78 BUDGET CALLS FOR A SUBSTANTIAL INCREASE IN OFFICIAL DEVELOPMENT ASSISTANCE (ODA), ESPECIALLY FOR INTERNATIONAL FINANCIAL INSTITUTIONS. HE HOPES THAT THIS MIGHT INDICATE A US WILLINGNESS TO MAKE A CIEC COMMITMENT TO INCREASE ODA. THE EC IS STILL GIVING CONSIDERATION TO AN "IMMEDIATE ACTION" OF A ONE-TIME ODA TRANSFER OF \$800 LIMITED OFFICIAL USE

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PAGE 04 EC BRU 00919 01 OF 02 311355Z

MILLION TO \$1 BILLION TO THE MOST FINANCIALLY HARDPRESSED LDCS. (SEE PARA. 2A, REF. D.) CASPARI FORESEES THE UNCTAD COMMON FUND NEGOTIATIONS BREAKING DOWN INTO AN ACrimonious DEBATE AT THE MARCH MEETING IN GENEVA. HE BELIEVES THAT THIS DEBATE WILL BE CONTINUED IN CIEC AND THE G-8, CONSEQUENTLY, WILL HAVE TO SEARCH FOR A POSSIBLE COMPROMISE ON COMMODITY ISSUES.

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PAGE 01 EC BRU 00919 02 OF 02 311412Z
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LIMITED OFFICIAL USE SECTION 2 OF 2 EC BRUSSELS 0919

6. CASPARI SAYS A COUNCIL WORKING GROUP WILL LIKELY CONSIDER VARIOUS POSSIBLE COMMODITY ACTIONS: (1) TECHNICAL ASSISTANCE TO HELP LDCS TO DIVERSIFY THEIR COMMODITY PRODUCTION ; (2) A COMMON FUND WHICH WOULD BE PRIMARILY A CLEARING OPERATION AMONG INDIVIDUAL COMMODITY AGREEMENTS, BUT WOULD HAVE A MODEST CAPITAL BASE; (3) A LIMITED WORLDWIDE SYSTEM TO STABILIZE LDC EXPORT EARNINGS FOR A FEW COMMODITIES OF A SPECIFIC GROUP OF COUNTRIES; (4) POSSIBLE EXPANSION OF EXISTING IMF FACILITIES; CASPARI PERSONALLY FAVORS ASKING THE IMF TO CONSIDER THE TREND OF LDC IMPORT PRICES IN DETERMINING THE AMOUNT OF COMPENSATORY FINANCING; AND (5) ADOPTION OF A FEW SELECTED INTERNATIONAL COMMODITY AGREEMENTS THAT BALANCE PRODUCER AND CONSUMER INTERESTS.
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PAGE 02 EC BRU 00919 02 OF 02 311412Z

CASPARI WOULD LIKE TO OBTAIN THE JUDGMENT OF US OFFICIALS ON THESE VARIOUS ISSUES AND ON THE POSSIBILITY OF CIEC BECOMING A FORUM FOR COMMODITY DISCUSSIONS, SHOULD THE GENEVA COMMON FUND NEGOTIATIONS BREAK DOWN.

7. CASPARI EXPECTS TO OBTAIN ADVICE ON SAFEGUARDING OPEC FOREIGN INVESTMENTS FROM FRG AND FRENCH OFFICIALS WHO ARE VISITING SAUDI ARABIA. CASPARI PARTICULARLY WANTS TO CONSULT WITH US OFFICIALS ON CIEC INVESTMENT ISSUES. (SEE REF. E FOR COMMISSION VIEWS ON THE PROPOSED INTERNATIONAL RESOURCES BANK.) CASPARI FAVORS CONCLUDING CIEC AS QUICKLY AS POSSIBLE, BECAUSE THE G-8 HAS NOTHING TO GAIN FROM CONTINUING IT. HE SAYS THAT G-19 DOES NOT REPRESENT THE VIEWS OF THE G-77; CONSEQUENTLY THE G-77 WILL NOT AGREE TO CONTINUING CIEC UNLESS THERE IS AGREEMENT TO EXPAND SUBSTANTIALLY G-19 DEMANDS. SIMILARLY, HE DOES NOT BELIEVE IT IS REALISTIC TO EXPECT G-19 ACCEPTANCE TO CONTINUING THE ENERGY DISCUSSION IN ONE FORM OR ANOTHER AFTER CONCLUSION OF CIEC. CASPARI NOTES THAT THE G-19 HAS INSISTED THAT THE FOUR COMMISSIONS PROCEED IN

PARALLEL AND THAT THE FINAL RESULTS BE LINKED TOGETHER.

8. CASPARI ADDS THAT DURING THE WASHINGTON CONSULTATIONS THE EC DELEGATION WILL BE TIED TO A COUNCIL BRIEF. FOR THIS REASON IT MAY BE DIFFICULT TO EXPLORE THE COMMISSION'S OWN IDEAS. IF IT IS CONVENIENT, CASPARI IS PREPARED TO MEET SEPARATELY WITH US OFFICIALS SHOULD THEY WANT TO DISCUSS SOME OF THE COMMISSION'S IDEAS. THE COMMISSION STAFF IS CURRENTLY PREPARING A NUMBER OF PROPOSALS WHICH CASPARI WILL DISCUSS WITH A MISSION OFFICER ON FEBRUARY 10 OR 11. HINTON

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